



Small Hog Operation Payment (SHOP)

Background

Vice President Gore announced on Friday, January 8, 1999, that the Department of Agriculture (USDA) will make approximately \$50 million in direct cash payments to small hog producers to help them weather the current economic crisis. Details of the program were announced by Agriculture Secretary Dan Glickman on Tuesday, January 12, 1999.

Who Is Eligible For Payments?

Producers qualify for the direct cash payments if their hog operation (1) marketed fewer than 1,000 hogs during the last 6 months of 1998, and (2) is still in operation. Two restrictions apply. First, hog operations are not eligible for payments on hogs marketed under fixed-price or cost-plus contracts. Second, any operation whose gross income for 1998 was greater than \$2.5 million will not be eligible for payments, this is also true for USDA's crop disaster assistance programs.

Eligibility is based on marketings during the last 6 months of 1998 to avoid distorting current marketings. The 6 month period also accommodates the marketing practices of small producers who may not market hogs every week or month, but who need help to weather the current economic crisis.

How Many Producers Are Eligible?

USDA estimates that 80-90 percent of producers, or nearly 100,000 nationwide, are eligible for these payments.

How Much Will Producers Be Paid?

Producers will be paid up to \$5 per slaughter-weight hog (or the equivalent for feeder pigs and other swine) multiplied by the number of hogs (up to 500) marketed during the last 6 months of 1998. The actual payment may be less than \$5, given the limited amount of funding available under law. For payment purposes, producers are limited to 500 market hogs (or an equivalent number of feeder pigs), so the maximum payment that will be paid to any operation is \$2,500.

What Must Producers Do To Sign Up For Payment?

Payments will be made through USDA's Farm Service Agency (FSA) local offices. From February 1, 1999, to February 12, 1999, FSA will conduct a sign up for the payment program. During this sign up period, producers will be required to apply for the program at their local FSA office.

What Records Will Producers Need To Apply?

Producers will be required to certify that they meet the eligibility requirements of the program. FSA will have an application form that producers will fill out when they sign up for the program. It is expected that the form will require producers to include: (1) the name of the operation and a list of persons involved in it, (2) the number of slaughter hogs and feeder pigs marketed in the last 6 months of 1998, and (3) the buyers of the hogs and pigs.

The form is also expected to include: (1) a statement affirming that the producer is still in business at the time of the SHOP request, (2) a statement affirming that the producer did not market his or her hogs under fixed-price or cost-plus contracts, and (3) a statement affirming that the producer is aware that USDA will be conducting spot checks. For those producers selected for spot checks, additional information may be requested.

Any producer who receives a payment based on erroneous information will be required to repay USDA. Also, any producer who receives a payment based on a fraudulent application will be required to repay USDA and may face criminal prosecution.

Fact Sheet

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Payments will be made about 2 to 3 weeks after the end of the signup period.

What Is the Legal Authority for These Payments?

The payments will be made under USDA's Section 32 program (Section 32 of the Act of August 24, 1935). USDA typically uses Section 32 to purchase commodities that are in surplus for distribution through Federal food assistance programs. Section 32 also permits direct payments to farmers to reestablish their purchasing power. This is the first time in 38 years that payments will be made directly to producers under the Section 32 program. The use of Section 32 funds for direct payments will not reduce the amount of assistance for our food and nutrition programs.

How Can I Get Further Information?

Local FSA offices are the best source for producers seeking additional information. Program details will also be published in the Federal Register in the near future.

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